

**LODI CITY COUNCIL
SPECIAL "TOWN HALL" CITY COUNCIL MEETING
CARNEGIE FORUM, 305 WEST PINE STREET
WEDNESDAY, MAY 30, 2001**

A. ROLL CALL

The Special "Town Hall" City Council meeting of May 30, 2001 was called to order by Mayor Nakanishi at 5:30 p.m.

Present: Council Members – Hitchcock, Howard, Land, Pennino and Mayor Nakanishi

Absent: Council Members – None

Also Present: City Manager Flynn, City Attorney Hays, and Deputy City Clerk Taylor

B. TOPIC(S)

"Discussion regarding 2001/03 Financial Plan and Budget"

Mayor Nakanishi welcomed and thanked the public for attending the meeting, and extended his thanks to AT&T Broadband for televising the meeting.

Mayor Nakanishi explained that, like federal and state budgets, local government must have an established and approved budget in order to conduct business. The City of Lodi operates on a fiscal year calendar with a two-year budget.

Council Member Pennino stated that City staff began preparations for the proposed 2001-03 budget approximately six months ago. Each department head submitted budget proposals and reviewed it with the City Manager and Finance Department representatives. During that same time, Council Members and staff met with a variety of interest groups, organizations, and boards and commissions regarding its accomplishments to date and the needs and goals for the future. The budget is prepared by the City Manager, Finance Director, and members of their staff for presentation and consideration during a series of City Council informational meetings. A finalized two-year budget document will be submitted to Council in June for final approval.

Mr. Pennino stated that the City operated on a single-year budget prior to six years ago, a process requiring a great deal of additional time and effort each fiscal year. With the current budget format, the second year budget document is reviewed, minor revisions are made with Council approval, and a smooth transition is made into year two of the budget.

Mr. Pennino explained that the City budget covers the general fund, police and fire services, plus capital expenses, which are infrastructure improvements and is simply a document projecting revenues and expenses for the next two years while attempting to prepare for the future's unanticipated expenditures.

With the aid of overheads (filed) Council Member Land provided a breakdown of the total Operating Capital and Debt Service Expenditures for the 2000-01 budget, which included operating programs (62%), capital projects (4%), debt service (2%), and bulk power (32%). He stated that the General Fund Revenues and Sources (revised estimates for 2000-01 fiscal year) demonstrate why economic development is so important to the City, with tax revenues of 57% totaling approximately \$17,413,412. Mr. Land then presented an overview of the City's General Fund Tax Revenues report: (8%), auto/transportation (24%), building/construction (9%), business/industry (13%), food & drug (9%), fuel & service stations (9%), and general merchandise (28%). In 1993-94 the state began imposing Education Reinvestment Augmentation Fund (ERAF) taxes, easing the budget difficulties by taking a significant amount of money away from City property taxes; over \$3,000,000 in a two-year period just from the City of Lodi.

City Manager Flynn stated that the City has a consultant who reviews our sales tax and information on comparison cities, and stated Lodi looks very healthy and balanced economically. Providing an example, he stated that while some cities might base as much as 50% of its sales tax from auto sales, Lodi auto dealers represent 17-24% and Lodi does not appear to be highly dependent upon any one source, which affords us a more balanced sales tax base. Mr. Flynn stated that with a sales tax increase over the last 4-5 years from \$4.9 to \$8 million (almost 80%), the City has a healthy base.

Mayor Nakanishi commented that every city in California is currently vying for sales tax through anchor stores and large malls, since property taxes are a much smaller portion of overall revenues, and asked City Manager Flynn to expand on where additional funds come from.

Mr. Flynn explained that general fund revenues total approximately \$30 million, and that other revenues are made up in part from the electric fund (\$40-42 million) water fund (approximately \$3 million) and sewer (approximately \$3 million); a total of about \$76 million. Additionally, there are federal and state transportation assistance funds of \$3 million and one-time grant funds from county, state, federal, and non-profit agencies for participation. He reported that the City also borrows money for future investments, noting that two years ago the Electric Utility Department borrowed approximately \$40 million, which is currently in the bank and not included in the estimated figures. Property taxes are allocated so that 50% goes to the general fund, 30% to capital, and 20% to the Library, but reiterated that, although there are other funds and revenues, the general fund is the most important, providing vital City services that include Fire and Police.

With the aid of overheads (filed), Council Member Hitchcock stated that the highest expenditures and the bulk of the City's revenue goes to pay for personnel, supplies, and materials for City departments. The Police Department spends the largest amount of operational dollars (about \$7.7 million) to ensure the safety of our citizens, followed directly by the Fire Department, but stated that through the use of volunteers the Police Partners and the Community Center offset costs for services. Ms. Hitchcock stated that the Electric Utility Department, while providing \$4.3 million to the general fund, has spent about \$27.7 million (in shortage and high energy costs) to meet its customer's needs. Ms. Hitchcock commended the Lodi Public Library for its ability to operate on a budget of only \$1 million annually.

Ms. Hitchcock stated that annual expenditures by City departments increase due to inflation and the higher cost of doing business, and that there is a constant factor of deterioration of infrastructure, replacement of equipment, additional staff for services, and increased workload. Council must weigh each request for large and expedient projects, citizen issues, and requests or needs that may demand a higher cost due to new or increased levels of service. She also noted that many unforeseen obstacles during the consideration, proposal, and planning stages of a project can make estimated costs undeterminable.

Ms. Hitchcock listed a variety of projects under review for capital outlay expenditures, including the public safety building, downtown parking structure, greenbelt acquisition of property, community sports center, DeBenedetti Park, aquatics center, skate park, animal shelter, and the All Veteran's Memorial. She noted that also under consideration is the Electric Utility Department's master plan proposing installation of transmission lines and a building project, and state-mandated water/wastewater requirements to improve service and treatments. Projects and their priority can be based on several factors including safety, community support, and available funding (including outside grant and government sources, restructuring of rates, development impact fees, or a sales tax increase with voter approval). Further, she stated that project financing may also be available through Certificates of Participation (COP) using general funds for long-term debt, but she cautioned taking this type of action.

Ms. Hitchcock reminded Council that the City staff and Mayor Pro Tempore Pennino (through his representation on the Rail Commission and San Joaquin Council of Governments) have been working toward the removal of the railroad tracks from Lodi Avenue for several years. City Manager Flynn commented that since 1991, the City has been working with other agencies toward getting the three railroads to meet and come to an agreement some time in the foreseeable future regarding the removal of the railroad tracks. Ms. Hitchcock stated she hopes the project progresses quickly and that the City can rely heavily upon grants, transportation, and government funding for the bulk of the removal and repair costs.

Ms. Hitchcock extended her special thanks to Accounting Manager Ruby Paiste for her assistance with the presentation, and also thanked Information Systems Manager Stan Helmle and Network Administrator Jerry Moore for their assistance with the technical portion of her presentation.

With the aid of overheads (filed) Council Member Howard explained that in addition to revenue and expenditure funds, there are enterprise funds that are designed to finance or recover user charges. She stated that enterprise funds are reviewed frequently for their appropriateness, and one of the items, which falls under the enterprise fund category, would be water/wastewater or sewer services. The main objective is to account for wastewater collection and treatment services including administrative costs, operation costs, capital improvements, and debt services. She pointed out that In Lieu Franchise Taxes, those dollars transferred to the general fund would be reevaluated to consider what portion would be in next year's budget, which is currently at 17% for water, 20% for sewer services. Ms. Howard stated that the water/wastewater services proposed budget requests include the purchase of contract services to support water discharge programs, upgrades for the White Slough Water Pollution Control Facility, purchase of replacement computer and software for pipe inspections conducted in the field, increased street sweeping services, and obtaining a stormwater National Pollutant Discharge Elimination System (NPDES) permit. Ms. Howard reported that the City expanded its wastewater treatment facility in 1986 at a cost of \$11,170,000, then refinanced the project at a lower rate in 1991 for a current outstanding balance of \$9,975,000 and an annual payment of \$799,000.

Mayor Nakanishi reported on Electric Utility stating that since 1910 the City has owned Lodi Electric Utility and that the City Council acts as its official governing board. He noted that with 44 employees, this department is responsible for more than 199 miles of power lines, 5,400 poles, and for providing safe, reliable service to more than 122,000 residential, commercial, and industrial customers at the most competitive rates possible. He stated that during the last six months Electric Utility's bills were over \$10 million more than anticipated due to rising electricity and gas prices. He stated that as the City increases its rates it should be able to pay back the debt for these unforeseen expenses. Municipally owned electric utility resources are 80% by our own generators and 20% purchased on the open market. Mayor Nakanishi reminded everyone how important energy conservation is for our City and state, saving on costs and helping the City and its citizens by allowing the sale of surplus power to other customers.

City Manager Flynn explained that the City budget is very much a living document, regularly reviewed and modified almost from the moment Council approves the document. Staff has compiled a 10-year budgetary plan laying out a proposed plan for the future. He added that while the budget document has evolved into many things - a policy document, an operations guide, a financial plan, and a report of debt service and obligations - it is first and foremost a tool for City Council and City staff to communicate how the City's money is being used. As an operations guide, the budget provides Council guidance on activities, services, functions, methods by which to measure results and success, and meeting public needs. It also contains an organizational chart and summary of personnel displayed by activity, department, and City-wide overview. As a financial plan, the budget lists all funds, including state and federal channels, which carry specific requirements and services. Also included are general funds, special revenue (transportation, block grant, transit), enterprise funds (water, sewer, electric) and additional funds such as grants and donations. Capital expenditures and projects are a large part of the budget document requiring a very methodical, five-step process including project designation, feasibility study, presentation for Council direction, design (a most significant and expensive step), and construction.

Mr. Flynn concluded his presentation by thanking Finance Director McAthie, Accounting Manager Paiste, and Deputy City Manager Keeter for engineering a practical and functional document for presentation to Council. He thanked the department heads for their clarity in submitting department budgets, and their team efforts and cooperation throughout the budget process.

Mayor Nakanishi extended his appreciation to Council and staff for the cooperative efforts to get information regarding the City's budget to the public.

Continued May 30, 2001

C. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS

- Brian Bader, 523 S. School Street, Lodi, provided Council with information regarding consideration of medical marijuana use (filed). Mr. Bader stated he has talked to members of the Lodi Police Department regarding this proposal, and is now requesting Council review the materials and consider setting this topic for discussion at a future Council meeting.

D. ADJOURNMENT

There being no further business to come before the City Council, the meeting was adjourned at 6:50 p.m.

ATTEST:

Jacqueline L. Taylor
Deputy City Clerk